



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

April 3, 2025

Back to Basics: Double-Digit Organic Growth and Expense Control Producing Strong EBITDA, EPS and Free Cash Flow Growth – Reiterate Buy and \$6 Target

Analyst: Barry M. Sine, CFA, CMT

- With 2024 results now reported, and solid guidance issued for 2025, we reiterate our Buy rating and \$6 price target.
- USIO has now been consistently EBITDA positive for over a year, and we now see consistently positive EPS going forward as operating leverage kicks in with just 3% SG&A growth and double-digit revenue growth.
- Each of the company's business units is now posting solid growth and has strong prospects ahead.
- Its new Usio One strategy is already seeing results in particular driving new revenue from customers of their other business units to its high-margin ACH unit.
- It also has a solid balance sheet with negligible debt and \$8 million in cash.
- It continues to consistently dedicate a portion of cash flow to buybacks and just renewed its program with a \$4 million authorization.

Rating	BUY	Earnings Per Share	Normalized to exclude unusual items			
Target Price	\$6.00	FYE - December	2023	2024	2025E	2026E
Ticker Symbol	USIO	1Q - March	\$0.00	(\$0.01)	\$0.00	\$0.01
Market	NASDAQ	2Q - June	\$0.01	\$0.00	\$0.00	\$0.01
Stock Price	\$1.51	3Q - September	(\$0.04)	\$0.10	\$0.01	\$0.01
52 wk High	\$2.92	4Q - December	\$0.00	\$0.02	\$0.01	\$0.01
52 wk Low	\$1.24	Year	(\$0.02)	\$0.12	\$0.02	\$0.03
Shares Outstanding:	26.5 M	Revenue (\$mm)	\$82.6	\$82.9	\$94.9	\$105.5
Public Market Float:	17.0 M	EV/Rev	0.4X	0.4X	0.4X	0.3X
Avg. Daily Volume	353,792	EBITDA (\$mm)	\$2.4	\$2.9	\$5.7	\$6.3
Market Capitalization:	\$40 M	EV/EBITDA	NM	11.5X	5.9X	5.3X
Institutional Holdings:	27.6%					
Dividend Yield:	0.0%					

Risks/Valuation

- We see four key risk categories, which we discuss in our initiation report: regulatory changes, cybersecurity risks, errors, and fraud.
- Our valuation implies a 53% premium to larger, slower-growing comps on an EV/EBITDA basis, but a 58% discount on an EV/sales basis.

Company description: Usio is a diversified payments company headquartered in San Antonio, Texas. It has proven highly innovative in new product launches, acquisitions, and customer wins driving 24% revenue growth over the last five years.



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Double-Digit Organic Growth and Expense Control Producing Strong EBITDA, EPS and Free Cash Flow Growth

Usio appears to be in great shape to drive organic, profitable growth in 2025 and beyond. Revenue growth in 2024 was negatively impacted as the prior year included \$12.1 million in one-off revenue from the NYC Covid inventive program so revenue grew by only 0.4% in 2024. Excluding this, organic revenue growth was 18%. For 2025, without this distortion, reported revenue should be in the 14% to 16% range which is all organic. Combine this with strong expense control - SG&A only grew 3% last year - and the stage is set for consistent profitability. Not too many years ago, Usio would go back and forth between positive and negative EBITDA. It has now posted positive quarterly EBITDA for five consecutive quarters, and we think this will continue. It has also now posted three consecutive quarters of positive EPS, and we expect that EPS will be positive every quarter in 2025 and beyond. In the event of an economic slowdown, we note that Usio has a number of counter-cyclical revenue sources such as high fees from processing returned checks and small loan ACH processing.

Our updated forecast, with a detailed model at the end of this report, is consistent with management guidance of 14% to 16% revenue growth for this year and an EBITDA margin of 5% to 7%. Except for its Output Solutions business, it has minimal capital expenditures as its services are mainly electronic. And the Output business just upgraded to a large, high-capacity printing and envelope-stuffing machine, so it should be good for CapX for a few years unless its volumes (and revenue) really surge.

Usio's board recently restocked its buyback program with another \$4 million. Last year, it spent \$1.5 million on buybacks and we think it will continue its pattern of keeping its buybacks below its free cash flow generation to build its cash balance. It ended the year with \$8.1 million in cash, up from \$7.2 million a year ago. We expect the cash balance to grow, approaching \$10 million, to be able to act on any attractive acquisition opportunities that may arise. Management told us that the company is not actively shopping, but does regularly get presented with opportunities. It employs rigid criteria in terms of what acquisitions it would pursue. We can't see it buying distressed companies and attempting to rejuvenate them. In our opinion, every acquisition Usio has done has turned out to be successful, which is a claim many companies cannot make.

We think that consistent, revenue, EBITDA, and EPS growth will increasingly attract the attention of both fundamental investors and the quant models that dominate trading activity in the market. USIO shares are already seeing higher volume. If it can perform as we expect, consistent with guidance, we think the shares will appreciate significantly over the course of 2025. We reiterate our Buy rating and \$6 price target.



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Usio, Inc. – Revenue Forecast

Dollars in thousands, except per share data
Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
ACH	3,881,734	3,894,330	4,302,510	4,599,750	16,678,324	4,269,907	4,673,196	5,163,012	5,519,700	19,625,815	4,910,394	5,374,175	5,937,464	6,347,655	22,569,688
YoY growth	16.2%	-4.5%	21.9%	16.7%	12.0%	10.0%	20.0%	20.0%	20.0%	17.7%	15.0%	15.0%	15.0%	15.0%	15.0%
Sequential growth	-1.5%	0.3%	10.5%	6.9%		-7.2%	9.4%	10.5%	6.9%		-11.0%	9.4%	10.5%	6.9%	
Percent of total revenue	18.5%	19.4%	20.2%	22.4%	20.1%	19.7%	20.4%	20.2%	22.4%	20.7%	20.0%	21.2%	21.0%	23.2%	21.4%
ACH interest	211,640	190,233	201,545	186,299	789,717	200,000	200,000	200,000	200,000	800,000	200,000	200,000	200,000	200,000	800,000
Electronic check transaction	4.0%	10.0%	25.0%	34.0%	18.0%										
Returned check transactions	9.0%	13.0%	18.0%	27.0%	17.0%										
Electronic check dollars processed	22.0%	36.0%	61.0%	44.0%	42.0%										
Credit card	7,560,734	7,261,268	7,197,362	7,248,182	29,267,546	8,316,807	8,350,458	8,276,966	8,335,409	33,279,641	9,314,824	9,352,513	9,270,202	9,335,658	37,273,198
YoY growth	3.0%	2.0%	0.4%	5.8%	2.8%	10.0%	15.0%	15.0%	15.0%	13.7%	12.0%	12.0%	12.0%	12.0%	12.0%
Sequential growth	10.3%	-4.0%	-0.9%	0.7%		14.7%	0.4%	-0.9%	0.7%		11.8%	0.4%	-0.9%	0.7%	
Percent of total revenue	36.1%	36.2%	33.8%	35.3%	35.3%	38.3%	36.4%	32.3%	33.8%	35.1%	38.0%	36.9%	32.8%	34.1%	35.3%
Credit card transaction volume	18.0%	19.0%	22.0%	34.0%	24.0%										
Credit card dollars	8.0%	10.0%	7.0%	15.0%	10.0%										
Prepaid card	3,341,224	3,673,418	4,017,153	3,048,855	14,080,650	3,007,102	4,408,102	5,021,441	3,811,069	16,247,713	3,608,522	4,628,507	5,272,513	4,001,622	17,511,164
YoY growth	-30.5%	-29.6%	-14.3%	-24.1%	-24.8%	-10.0%	20.0%	25.0%	25.0%	15.4%	20.0%	5.0%	5.0%	5.0%	7.8%
Sequential growth	-16.9%	9.9%	9.4%	-24.1%		-1.4%	46.6%	13.9%	-24.1%		-5.3%	28.3%	13.9%	-24.1%	
Percent of total revenue	15.9%	18.3%	18.8%	14.8%	17.0%	13.8%	19.2%	19.6%	15.4%	17.1%	14.7%	18.3%	18.6%	14.6%	16.6%
Prepaid interest	402,741	334,624	309,131	299,183	1,345,679	350,000	350,000	350,000	350,000	1,400,000	350,000	350,000	350,000	350,000	1,400,000
Load volume	108.0%	55.0%	21.0%	36.0%	35.0%										
Transaction volume	26.0%	58.0%	56.0%	7.0%	45.0%										
Purchase dollars	42.0%	39.0%	23.0%		26.0%										
Output solutions	5,537,923	4,686,869	5,253,388	5,140,816	20,618,996	5,537,923	4,921,212	6,566,735	6,426,020	23,451,890	6,091,715	5,413,334	7,223,409	7,068,622	25,797,079
YoY growth	-7.1%	-3.3%	2.2%	13.0%	0.6%	0.0%	5.0%	25.0%	25.0%	13.7%	10.0%	10.0%	10.0%	10.0%	10.0%
Sequential growth	21.7%	-15.4%	12.1%	-2.1%		7.7%	-11.1%	33.4%	-2.1%		-5.2%	-11.1%	33.4%	-2.1%	
Percent of total revenue	26.4%	23.3%	24.6%	25.0%	24.9%	25.5%	21.5%	25.6%	26.0%	24.7%	24.9%	21.4%	25.5%	25.9%	24.5%
Output interest	34,390	39,146	40,389	37,003	150,928	35,000	35,000	35,000	35,000	140,000	35,000	35,000	35,000	35,000	140,000
Transactions/pieces mailed				5.40	24.50										
Electronic dollars processed				86.0%											
Total	20,970,396	20,079,888	21,321,478	20,560,088	82,931,840	21,716,739	22,937,968	25,613,155	24,677,198	94,945,060	24,510,455	25,353,529	28,288,588	27,338,558	105,491,129
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	3.6%	14.2%	20.1%	20.0%	14.5%	12.9%	10.5%	10.4%	10.8%	11.1%
Sequential growth	8.3%	-4.2%	6.2%	-3.6%		5.6%	5.6%	11.7%	-3.7%		-0.7%	3.4%	11.6%	-3.4%	

Source: Company reports and Litchfield Hills Research LLC



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Usio, Inc. – Income Forecast

Dollars in thousands, except per share data
Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
Revenue	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	21,716,739	22,937,968	25,613,155	24,677,198	94,945,060	24,510,455	25,353,529	28,288,588	27,338,558	105,491,129
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	3.6%	14.2%	20.1%	20.0%	14.5%	12.9%	10.5%	10.4%	10.8%	11.1%
Seq growth	8.3%	-4.2%	6.2%	-3.6%		5.6%	5.6%	11.7%	-3.7%		-0.7%	3.4%	11.6%	-3.4%	
Cost of services	16,116,691	15,280,074	16,425,321	15,495,310	63,317,396	16,504,722	17,432,856	19,465,997	18,754,671	72,158,246	18,627,946	19,268,682	21,499,327	20,777,304	80,173,258
As a percent of revenue	76.9%	76.1%	77.0%	75.4%	76.3%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%
Gross margin	23.1%	23.9%	23.0%	24.6%	23.7%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
S,G&A - cash	4,060,225	4,000,845	4,119,317	4,547,694	16,728,081	3,909,013	4,128,834	4,610,368	4,441,896	17,090,111	4,411,882	4,563,635	5,091,946	4,920,940	18,988,403
As a percent of revenue	19.4%	19.9%	19.3%	22.1%	20.2%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Stock-based comp.	499,273	460,061	569,772	564,300	2,093,406	550,000	550,000	550,000	550,000	2,200,000	550,000	550,000	550,000	550,000	2,200,000
Cancellation of stock-based comp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	525,000	525,000	525,000	525,000	2,100,000	525,000	525,000	525,000	525,000	2,100,000
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	228,004	301,278	461,789	405,632	1,396,704	395,627	446,212	622,315	565,313	2,029,468
Operating margin	-1.3%	-1.0%	-1.8%	-2.9%	-1.8%	1.0%	1.3%	1.8%	1.6%	1.5%	1.6%	1.8%	2.2%	2.1%	1.9%
Interest income	115,354	107,270	125,564	116,558	464,746	125,000	125,000	125,000	125,000	500,000	125,000	125,000	125,000	125,000	500,000
Other	-	261,413	-	1,476,272	1,737,685	-	-	-	-	-	-	-	-	-	-
Interest expense	(13,585)	(14,250)	(13,700)	(12,267)	(53,802)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Pretax Income	(180,188)	145,492	(264,786)	977,766	678,284	343,004	416,278	576,789	520,632	1,856,704	510,627	561,212	737,315	680,313	2,489,468
Taxes	(13,858)	70,000	(3,032,195)	348,840	(2,627,213)	325,751	344,070	384,197	370,158	1,424,176	367,657	380,303	424,329	410,078	1,582,367
As a percent of revenue	-0.1%	0.3%	-14.2%	1.7%	-3.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Net income to common	(166,330)	75,492	2,767,409	628,926	3,305,497	17,253	72,209	192,592	150,474	432,528	142,970	180,909	312,986	270,235	907,101
Net income margin	-0.8%	0.4%	13.0%	3.1%	4.0%	0.1%	0.3%	0.8%	0.6%	0.5%	0.6%	0.7%	1.1%	1.0%	0.9%
Diluted shares outstanding	26,508,872	26,534,407	27,322,497	27,162,675	26,852,129	27,177,675	27,192,675	27,207,675	27,222,675	27,200,175	27,237,675	27,252,675	27,267,675	27,282,675	27,260,175
Seq change	5,621	25,535	788,090	(159,822)		15,000	15,000	15,000	15,000		15,000	15,000	15,000	15,000	
EPS diluted - continuing	(\$0.01)	\$0.00	\$0.10	\$0.02	\$0.12	\$0.00	\$0.00	\$0.01	\$0.01	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03
EBITDA	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	228,004	301,278	461,789	405,632	1,396,704	395,627	446,212	622,315	565,313	2,029,468
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	228,004	301,278	461,789	405,632	1,396,704	395,627	446,212	622,315	565,313	2,029,468
Addback	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	525,000	525,000	525,000	525,000	2,100,000	525,000	525,000	525,000	525,000	2,100,000
Stock comp. expense	499,273	460,061	569,772	564,300	2,093,406	550,000	550,000	550,000	550,000	2,200,000	550,000	550,000	550,000	550,000	2,200,000
EBITDA	793,470	798,969	776,840	517,084	2,886,363	1,303,004	1,376,278	1,536,789	1,480,632	5,696,704	1,470,627	1,521,212	1,697,315	1,640,313	6,329,468
YoY growth	-22.9%	-30.9%	-882.9%	74.7%	21.2%	64.2%	72.3%	97.8%	186.3%	97.4%	12.9%	10.5%	10.4%	10.8%	11.1%
EBITDA margin	3.8%	4.0%	3.6%	2.5%	3.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Source: Company reports and Litchfield Hills Research LLC



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Usio Trades at a Significant Discount to Comps – Our \$6 Target Implies Slight Premium on Ev/EBITDA

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Enterprise Value	Sales	EBITDA	Enterprise Value/Sales	Enterprise Value/EBITDA
USIO	12/31/2024	\$1.51	26.5	40.0	35.8	82.3	2.1	0.4x	16.7x
USIO @ 2025E	12/31/25	\$1.51	26.5	40.0	35.8	94.9	5.7	0.4x	6.3x
USIO @ \$6 target on 2052E	12/31/25	\$6.00	26.5	159.1	154.9	94.9	5.7	1.6x	27.2x
USIO @ \$6 target on 2026E	12/31/26	\$6.00	26.5	159.1	154.9	105.5	6.3	1.5x	24.5x
ACI Worldwide, Inc.	12/31/2024	\$57.17	105.3	6,022.1	6,776.6	1,594.3	434.1	4.3x	15.6x
Bread Financial Holdings, Inc.	12/31/2024	\$51.58	49.1	2,532.2	7,852.2	4,787.0	-	1.6x	
Euronet Worldwide, Inc.	12/31/2024	\$108.15	43.7	4,730.8	4,883.6	3,989.8	635.0	1.2x	7.7x
EVERTEC, Inc.	12/31/2024	\$37.40	63.6	2,379.2	3,094.2	845.5	296.4	3.7x	10.4x
Fidelity National Information Serv	12/31/2024	\$75.74	529.7	40,118.8	50,827.8	10,127.0	4,122.0	5.0x	12.3x
Fiserv, Inc.	12/31/2024	\$226.15	561.3	126,935.5	151,927.5	20,456.0	8,971.0	7.4x	16.9x
Jack Henry & Associates, Inc.	12/31/2024	\$184.11	72.9	13,421.2	13,601.2	2,215.5	705.4	6.1x	19.3x
Shift4 Payments, Inc. Class A	12/31/2024	\$85.82	67.8	7,646.4	9,526.9	3,330.6	586.4	2.9x	16.2x
PayPal Holdings, Inc.	12/31/2024	\$67.15	989.2	66,427.6	67,461.6	31,789.0	6,787.0	2.1x	9.9x
Block, Inc. Class A	12/31/2024	\$57.86	559.4	35,843.1	32,865.9	24,121.1	2,414.1	1.4x	13.6x
WEX Inc.	12/31/2024	\$161.80	38.8	6,280.5	5,528.0	2,628.2	1,013.3	2.1x	5.5x
Corpay, Inc.	12/31/2024	\$358.52	70.2	25,186.0	28,838.4	3,974.6	2,150.5	7.3x	13.4x
Average								3.4x	12.8x

Source: FactSet Research Systems, Company reports, and Litchfield Hills Research LLC



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Disclosures:

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HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

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